

(4) If you are in default, we may adjust the Contract Price to be equal to the lower of the Market Base Price or the Matrix Price for so long as such default continues.

(b) The Contract Price shall be used in connection with our carcass merit buying program ("Carcass Buying Program") in effect at the time of delivery to determine the final amount to be paid to you. Our Carcass Buying Program premiums and discounts are determined on the basis of the Market Base Price. Our Carcass Buying Program is subject to change by us in our discretion from time to time.

(c) The "Floor Price Matrix" shall be the Floor Price Matrix attached to this Agreement. The price per live cwt. in the Floor Price Matrix is determined using a rounded twenty (20) week moving average of Omaha corn and Decatur/Central Illinois 44% soymeal prices. The Floor Price Matrix shall not change during the term of this Agreement unless materially significant changes in pork production practices occur, in which case we may in good faith modify the Floor Price Matrix to reflect such changes.

(d) The "Matrix Price" shall be equal to the price per carcass cwt. determined by converting the price per live cwt. in the Floor Price Matrix to a price per carcass cwt. using the average yield and average Carcass Buying Program percentage of Market Base Price for our long-term contracted hogs. Both such averages shall be calculated by us on the first Monday in November of each year, and at any time our Carcass Buying Program is changed, in each case for use in determining the Matrix Price and the Guaranteed Minimum Price until the next calculation. All such calculations shall be conclusive absent manifest error. We will provide you a matrix that shows the Matrix Price and Guaranteed Minimum Price per carcass cwt. for the corresponding price per live cwt. in the Floor Price Matrix.

(e) The "Market Base Price" shall be the average price per carcass cwt. of the prior week's (Monday - Friday) daily 10:00 a.m. Hormel Foods' plant delivered hog prices. If we discontinue spot purchases of hogs and no longer establish such a plant delivered hog price, then the Market Base Price shall be equal to a rolling average of hog prices reported by an industry source as determined by us and uniformly used in our long-term hog procurement program.

(f) The "Guaranteed Minimum Price" shall be equal to the price per carcass cwt. determined by converting the price per live cwt. in the Floor Price Matrix minus Four Dollars (\$4.00) per live cwt. to a price per carcass cwt. using the average yield and average Carcass Buying Program percentage of Market Base Price for our long-term contracted hogs.

(g) See Exhibit A for examples of determining the Contract Price.

(h) The Contract Price and the Carcass Buying Program premiums and discounts to be paid to you for contracted hogs are subject to offset as provided in paragraph 8.

(i) The hogs supplied under this Agreement shall be sold F.O.B. destination and title to hogs and risk of loss of hogs pass from you to us as specified in our Carcass Buying Program.